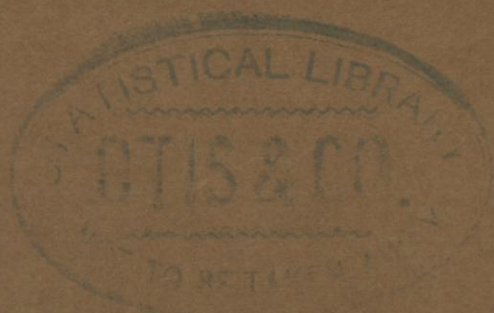


The Cincinnati and Suburban
Bell Telephone Company

ANNUAL REPORT

Year Ending December 31, 1927



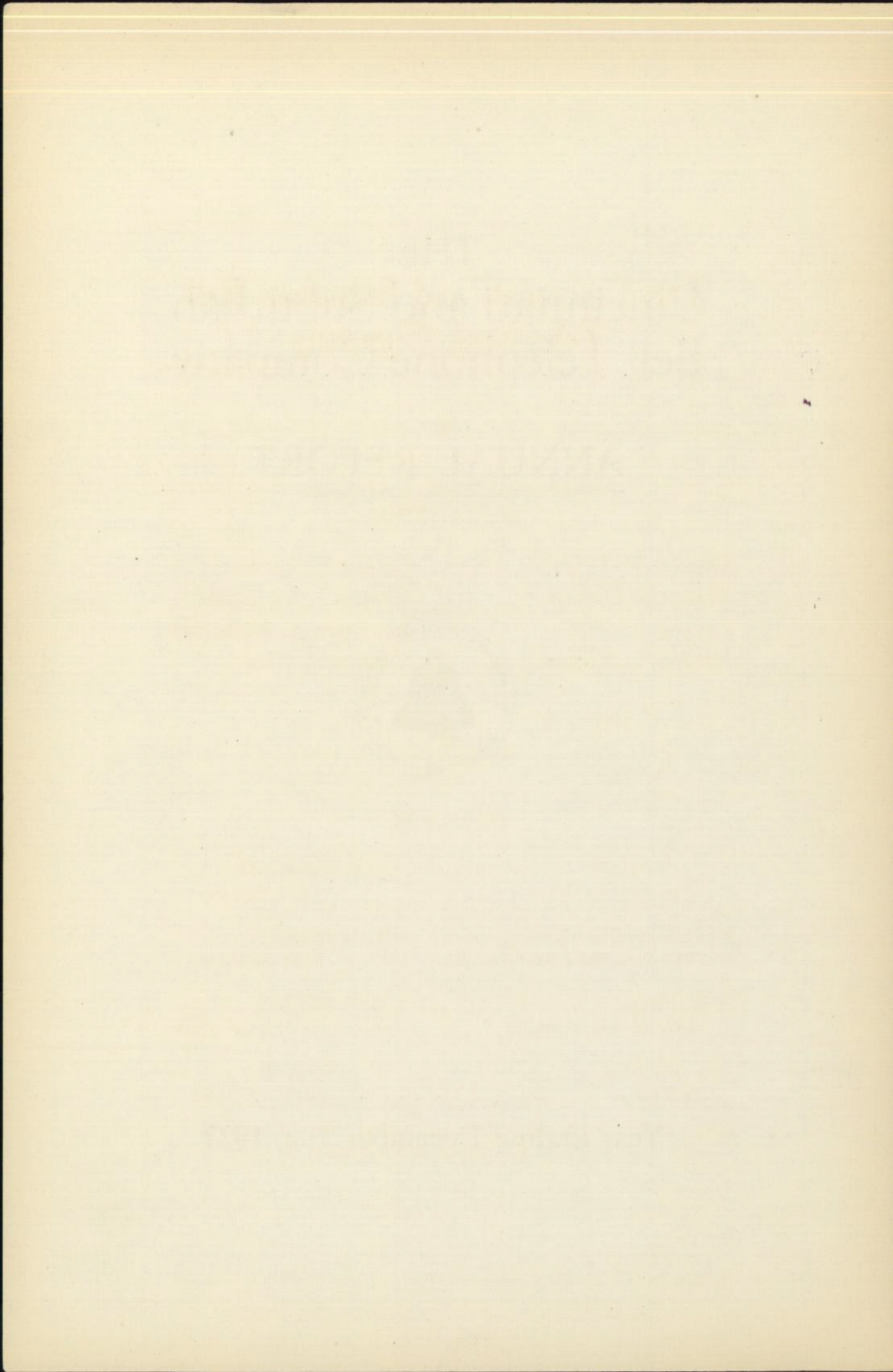
BOARDS
658.6
C491

THE
Cincinnati and Suburban
Bell Telephone Company

ANNUAL REPORT



Year Ending December 31st, 1927



The Cincinnati and Suburban Bell Telephone Company



DIRECTORS

Charles W. Dupuis
Walter S. Gifford
Ransom C. Hall
Bayard L. Kilgour

George W. Lewis
Charles J. Livingood
Benjamin T. McBurney
Charles P. Taft



OFFICERS

B. L. KILGOUR,
Pres. and Gen. Mgr.

L. C. NOWLAND,
Chief Engineer

B. T. MCBURNEY,
Vice-Pres. and Asst. Gen. Mgr.

T. C. REED,
Supt. of Plant

R. C. HALL,
Secretary and Treasurer

H. J. BARBER,
Commercial Supt.

J. J. BECKER,
Auditor

O. A. FRANK,
Supt. of Traffic

Cincinnati, Ohio, February 15, 1928.

To the Shareholders:

I respectfully submit herewith Annual Report of the operations of the Company for the year 1927. While general business in our territory was not at the high levels of the preceding year, 1927 may be regarded as a good year in the aggregate and very satisfactory from a telephone standpoint. The net gain in subscribers' stations was 9,456, making a total of 179,993 as of December 31, 1927. It is appropriate to mention here that a substantial portion of this increase was due to the successful operation of the Employees' Prospect Sales Plan, which provided for the participation of all company employees in the sale of telephone service.

Gross construction expenditures during the year were \$3,655,033, the principal items being:

Land and Buildings	\$ 319,077
Central Office Equipment . . .	405,183
Station Equipment	1,278,274
Exchange Lines	1,367,001

Our 1928 construction program contemplates expenditures of approximately \$4,000,000.

At the end of 1927 the American Telephone and Telegraph Company sold to this Company the telephone instruments in use on its lines but heretofore owned and maintained by the former company. At the same time a reduction from 4% to 2% of the gross revenue was made in the charge for research, engineering and other services furnished the Cincinnati Company by the American Company. While the purchase of the telephone instruments and their maintenance will increase this Company's investment and expense, it will be offset by the reduction in the charge for services.

Total payments under the Employees' Benefit Plan were as follows:

Pensions	\$11,924.52
Accident Disability Benefits	3,424.32
Accident Disability Expenses	2,855.52
Sickness Disability Benefits	41,874.06
Death Benefits—Accident	1,736.89
Death Benefits—Sickness	5,951.25

\$67,766.56

Under the Plan, pensions granted to retired employees have been charged on a disbursement basis, no provision being made in current expenses to take care of future requirements. During the year the Company adopted a plan to charge to expenses, currently, amounts which will, with the interest earnings thereon at the time employees are retired on pension, provide a sum sufficient to pay such pensions. These monies are paid to a trustee who invests them as needed. The new arrangement does not affect, in any way, the provisions covering the benefits to employees.

On January 28, 1927, your Board sustained a loss in the death of Alfred J. Becht. Charles J. Livingood was elected to fill the vacancy occasioned by Mr. Becht's death.

During the past year it was deemed advisable to acquire additional property in order to care for the growth of business in the down-town area in Cincinnati, and relieve the increasing congestion in our General Office Building. Accordingly, the old Queen City Club property at the south-west corner of Seventh and Elm Streets, together with certain adjacent holdings, giving a frontage of 243 feet on Seventh Street, with a depth of 120 feet on Elm Street, was purchased in March. Plans are being drawn for the erection on this site of an operating building which will house a number of local exchanges, also the long distance switchboard. Construction will start in the coming summer.

On March 10, 1927, a dividend was declared of \$1.13 per share to be paid on April 1, 1927, to shareholders of record at the close of business on March 19, 1927. This action increased the annual dividend rate from \$4.00 to \$4.50 per share, par value \$50.00. In order to avoid fractional amounts, dividends are paid alternately \$1.13 one quarter and \$1.12 the next quarter.

One of the outstanding events in the history of telephony in Cincinnati took place on February 9, 1927, when transatlantic service between Cincinnati and London was opened for public use. The opening was entirely successful and the scope of the service was extended subsequently to practically all points in Great Britain. A further extension of telephone service beyond the nation's borders took place in September, 1927, when communication was established between this country and the principal cities of Mexico.

While there was a slight reduction in the volume of local calls during the first few months of 1927, the balance of the year showed a steady increase, bringing up the average number of originating exchange messages per day to 928,226 as compared with the corresponding figure for 1926 of 920,692. Our service tests indicate a satisfactory technical performance, also a sincere effort on the part of our employees to maintain a sympathetic understanding with our customers to the end that we may merit public confidence not only as an efficient organization, but as an institution that it is easy and pleasant to do business with.

Our service objectives for toll traffic were realized in 1927, and we are looking forward to continued good results. The faster A. B. toll service, which is particularly adapted to short haul toll traffic, was extended to many points in the surrounding territory. In May, 1927, the "call-by-number" method was established on long distance traffic. This method makes it possible

to connect with distant points almost as speedily as with local telephone numbers. The new service has proved very popular and has been favorably commented upon by many subscribers.

Another phase of telephone service in which substantial improvement took place in 1927, was the promptness of service order completions, a reduction of one day having been made in the average time required to install service after application.

The conversion of all "B" board positions in the Cincinnati Metropolitan District from a call circuit to a straightforward basis of trunking, which was started in the latter part of 1927, will continue throughout 1928. From a service standpoint the principal advantages of straightforward trunking are its simplicity, increased speed and accuracy. It is expected that the straightforward trunking program will be 90% complete by the end of this year, and the entire conversion concluded about March 1, 1929.

Work on the new Cincinnati-Dayton toll cable, which embodies the latest developments in modern toll cable construction, was started last summer. On account of the rapid growth of long distance traffic over this important route, it is not economical to provide facilities by means of open wire construction, in addition to which cables are freer from service interruptions due to wind and sleet storms. Work will be completed in midsummer of this year.

Mention has been made previously in this report of the effective work of our employees. The Board wishes to congratulate them upon their contribution to the successful operating results of the year, and to emphasize its appreciation of their wholehearted loyalty and co-operation.

The usual financial statements are appended.

B. L. KILGOUR,
President and General Manager

The Cincinnati & Suburban Bell Telephone Co.

BALANCE SHEET

December 31, 1927

ASSETS

FIXED CAPITAL: (Including Construction Work in Progress):

Land and Buildings.....	\$ 3,337,510.82	
Telephone Plant and Equipment...	25,639,211.29	
General Equipment	452,247.33	
		\$29,428,969.44

INVESTMENT SECURITIES 340.00

Total Permanent and Long Term Investments... 29,429,309.44

WORKING ASSETS:

Cash and Deposits.....	102,376.20	
Accounts Receivable	831,194.82	
Materials and Supplies.....	341,383.46	
		1,274,954.48

DEFERRED DEBIT ITEMS:

Prepayments	19,948.66	
Other Deferred Debits.....	11,654.77	
		31,603.43

TOTAL ASSETS \$30,735,867.35

LIABILITIES

CAPITAL STOCK \$18,327,900.00

PREMIUMS ON CAPITAL STOCK..... 60,712.35

WORKING LIABILITIES:

Bills Payable	\$ 102,133.75	
Accounts Payable	560,271.84	
		662,405.59

ACCRUED LIABILITIES NOT DUE..... 698,872.25

DEFERRED CREDIT ITEMS:

Employees' Benefit Reserve.....	364,579.56	
Other Deferred Credits.....	19,547.63	
		384,127.19

FIXED CAPITAL RESERVES:

Reserve for Accrued Depreciation...	7,747,770.71	
Reserve for Amortization of Intangible Capital	59,678.46	
		7,807,449.17

CORPORATE SURPLUS 2,794,400.80

TOTAL LIABILITIES \$30,735,867.35

J. J. BECKER,
Auditor.

The Cincinnati & Suburban Bell Telephone Co.

INCOME STATEMENT

Year Ended December 31, 1927

Telephone Operating Revenues.....	\$8,931,081.06	
Telephone Operating Expenses.....	5,689,461.33	
Net Telephone Operating Revenue.....	3,241,619.73	
Deductions:		
Uncollectible Operating Revenues.... \$	48,300.00	
Taxes Assignable to Operations.....	985,612.13	
	1,033,912.13	
Operating Income	2,207,707.60	
Net Non-operating Income.....	35,036.31	
TOTAL GROSS INCOME.....	2,242,743.91	
Deductions:		
Other Interest	6,026.80	
Rent and Miscellaneous.....	49,888.84	
	55,915.64	
BALANCE NET INCOME.....	2,186,828.27	
Dividends	1,649,511.00	
BALANCE FOR CORPORATE SURPLUS	\$ 537,317.27	

J. J. BECKER,
Auditor.

I have audited the books and accounts of The Cincinnati and Suburban Bell Telephone Company for the year ended December 31, 1927, and I hereby certify that the accompanying Balance Sheet and Income Statement are in accordance with the books, and in my opinion, correctly set forth, according to the system of accounts prescribed by the Interstate Commerce Commission, the financial position of the company at December 31, 1927, and the results of operations for the year.

R. L. KESSING,
Auditor for American Telephone and Telegraph Co.

February 1, 1928.

